

Ms. Donna Nackers, Assistant Director of Reimbursement
Mariner Post-Acute Network
One Ravinia Drive, Suite 1500
Atlanta, Georgia 30346

Re: AC# 3-BKV-C7 – Grancare South Carolina, Inc. d/b/a Brookview Healthcare Center

Dear Ms. Nackers:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period September 26, 1996 through March 31, 1997. That report was used to set the rate covering the contract periods beginning April 1, 1997.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

**GRANCARE SOUTH CAROLINA, INC.
D/B/A BROOKVIEW HEALTHCARE CENTER**

GAFFNEY, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING APRIL 1, 1997
AC# 3-BKV-C7**

**REPORT ON CONTRACT
FOR
PURCHASE OF NURSING CARE SERVICES
WITH
STATE OF SOUTH CAROLINA
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 5, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Grancare South Carolina, Inc. d/b/a Brookview Healthcare Center, for the contract periods beginning April 1, 1997, and for the six month cost report period ended March 31, 1997, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Grancare South Carolina, Inc. d/b/a Brookview Healthcare Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Grancare South Carolina, Inc. d/b/a Brookview Healthcare Center dated as of September 26, 1996 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 5, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

BROOKVIEW HEALTHCARE CENTER

Computation of Rate Change
For the Contract Periods
Beginning April 1, 1997
AC# 3-BKV-C7

	<u>04/01/97- 09/30/97</u>	<u>10/01/97- 07/16/98</u>	<u>07/17/98- 09/30/98</u>
Interim reimbursement rate (1)	\$87.43	\$91.19	\$91.19
Adjusted reimbursement rate	<u>74.60</u>	<u>75.60</u>	<u>75.85</u>
Decrease in reimbursement rate	<u>\$12.83</u>	<u>\$15.59</u>	<u>\$15.34</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

BROOKVIEW HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1997 Through September 30, 1997
AC# 3-BKV-C7

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$2.79	\$30.83	\$39.84	\$30.83
Dietary	<u>.66</u>	<u>8.71</u>	<u>9.46</u>	<u>8.71</u>
Subtotal	\$ <u>3.45</u>	39.54	49.30	39.54
Laundry/Housekeeping/Maint.	\$.47	6.85	7.32	6.85
Administration & Med. Rec.	<u>-</u>	<u>12.68</u>	<u>8.60</u>	<u>8.60</u>
Subtotal	\$ <u>.47</u>	59.07	\$ <u>65.22</u>	54.99
<u>Costs Not Subject to Standards:</u>				
Utilities		1.87		1.87
Special Services		1.63		1.63
Medical Supplies & Oxy.		2.74		2.74
Taxes and Insurance		1.62		1.62
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$66.93</u>		62.85
Inflation Factor (4.90%)				3.08
Cost of Capital				6.67
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.47
Cost Incentive - For Gen. Serv. & Dietary				3.45
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(2.17)
Minimum Wage Add-On				<u>.25</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$74.60</u>

BROOKVIEW HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1997 Through July 16, 1998
AC# 3-BKV-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$30.83	\$41.81	
Dietary		8.71	9.74	
Laundry/Housekeeping/Maint.		<u>6.85</u>	<u>7.72</u>	
Subtotal	\$ <u>4.15</u>	46.39	59.27	\$46.39
Administration & Med. Rec.	\$ <u>-</u>	<u>14.28</u>	<u>9.45</u>	<u>9.45</u>
Subtotal		60.67	<u>\$68.72</u>	55.84
<u>Costs Not Subject to Standards:</u>				
Utilities		1.87		1.87
Special Services		1.63		1.63
Medical Supplies & Oxygen		2.74		2.74
Taxes and Insurance		1.62		1.62
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$68.53</u>		63.70
Inflation Factor (4.40%)				2.80
Cost of Capital				6.85
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.15
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.40)
Minimum Wage Add-On				<u>.50</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$75.60</u>

BROOKVIEW HEALTHCARE CENTER
Computation of Adjusted Reimbursement Rate
For the Contract Period July 17, 1998 Through September 30, 1998
AC# 3-BKV-C7

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$30.48	\$43.14	
Dietary		8.61	9.01	
Laundry/Housekeeping/Maint.		<u>7.23</u>	<u>7.38</u>	
Subtotal	\$ <u>4.17</u>	46.32	59.53	\$46.32
Administration & Med. Rec.	\$ <u>-</u>	<u>14.16</u>	<u>9.20</u>	<u>9.20</u>
Subtotal		60.48	<u>\$68.73</u>	55.52
<u>Costs Not Subject to Standards:</u>				
Utilities		1.99		1.99
Special Services		1.63		1.63
Medical Supplies & Oxygen		2.71		2.71
Taxes and Insurance		1.63		1.63
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$68.44</u>		63.48
Inflation Factor (4.40%)				2.79
Cost of Capital				7.33
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.17
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.42)
Minimum Wage Add-On				<u>.50</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$75.85</u>

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1997
For the Contract Period April 1, 1997 Through September 30, 1997
AC# 3-BKV-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 740,346	\$ 400 (2) 9,023 (7)	\$ 10,762 (2) 1,301 (5) 7,386 (6) 338 (6) 200 (8) 223,822 (12) 8,978 (12)	\$ 496,982
Dietary	142,277	66,647 (7)	1,704 (3) 1,019 (6) 65,777 (12)	140,424
Laundry	16,902	7 (6) 7,916 (7)	629 (3) 7,720 (12)	16,476
Housekeeping	62,352	36,571 (7)	897 (6) 36,089 (12)	61,937
Maintenance	32,076	142 (2) 18,778 (7)	221 (6) 18,674 (12)	32,101
Administration & Medical Records	263,256	9,432 (2) 645 (2) 40,795 (7) 2,226 (7)	2,891 (6) 275 (6) 106,457 (12) 2,344 (12)	204,387
Utilities	29,914	143 (2) 17,513 (7)	17,495 (12)	30,075
Special Services	26,324	22 (6)	6 (8)	26,340

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1997
For the Contract Period April 1, 1997 Through September 30, 1997
AC# 3-BKV-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	110,929	6,834 (8)	49,995 (3) 4,939 (5) 18,635 (12)	44,194
Taxes & Insurance	17,933	12,200 (4) 8,973 (7)	12,991 (12)	26,115
Legal Fees	-	-	-	-
Cost of Capital	109,128	10,218 (1) 2,738 (7) 6,210 (13)	18,566 (11) 2,203 (12)	107,525
Subtotal	1,551,437	257,433	622,314	1,186,556
Ancillary	28,538	-	-	28,538
Non-Allowable	412,978	52,328 (3) 6,240 (5) 12,998 (6) 18,566 (11) 521,185 (12)	10,218 (1) 211,180 (7) 6,628 (8) 6,210 (13)	790,059
Total Operating Expenses	<u>\$1,992,953</u>	<u>\$868,750</u>	<u>\$856,550</u>	<u>\$2,005,153</u>
Total Patient Days	<u>16,122</u>	<u>-</u>	<u>-</u>	<u>16,122</u>

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1997
For the Contract Periods October 1, 1997 Through July 16, 1998
AC# 3-BKV-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 740,346	\$ 400 (2) 9,023 (7)	\$ 10,762 (2) 1,301 (5) 7,386 (6) 338 (6) 200 (8) 223,822 (12) 8,978 (12)	\$ 496,982
Dietary	142,277	66,647 (7)	1,704 (3) 1,019 (6) 65,777 (12)	140,424
Laundry	16,902	7 (6) 7,916 (7)	629 (3) 7,720 (12)	16,476
Housekeeping	62,352	36,571 (7)	897 (6) 36,089 (12)	61,937
Maintenance	32,076	142 (2) 18,778 (7)	221 (6) 18,674 (12)	32,101
Administration & Medical Records	289,045	9,432 (2) 645 (2) 40,795 (7) 2,226 (7)	2,891 (6) 275 (6) 106,457 (12) 2,344 (12)	230,176
Utilities	29,914	143 (2) 17,513 (7)	17,495 (12)	30,075
Special Services	26,324	22 (6)	6 (8)	26,340

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1997
For the Contract Periods October 1, 1997 Through July 16, 1998
AC# 3-BKV-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	110,929	6,834 (8)	49,995 (3) 4,939 (5) 18,635 (12)	44,194
Taxes & Insurance	17,933	12,200 (4) 8,973 (7)	12,991 (12)	26,115
Legal Fees	-	-	-	-
Cost of Capital	112,235	10,218 (1) 2,738 (7) 5,995 (14)	18,566 (11) 2,203 (12)	110,417
Subtotal	1,580,333	257,218	622,314	1,215,237
Ancillary	28,538	-	-	28,538
Non-Allowable	384,082	52,328 (3) 6,240 (5) 12,998 (6) 18,566 (11) 521,185 (12)	10,218 (1) 211,180 (7) 6,628 (8) 5,995 (14)	761,378
Total Operating Expenses	<u>\$1,992,953</u>	<u>\$868,535</u>	<u>\$856,335</u>	<u>\$2,005,153</u>
Total Patient Days	<u>16,122</u>	<u>-</u>	<u>-</u>	<u>16,122</u>

TOTAL BEDS

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BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1997
For the Contract Period July 17, 1998 Through September 30, 1998
AC# 3-BKV-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$ 740,346	\$ 400 (2) 9,023 (7)	\$ 10,762 (2) 1,301 (5) 7,386 (6) 338 (6) 200 (9)	\$ 729,782
Dietary	142,277	66,647 (7)	1,704 (3) 1,019 (6)	206,201
Laundry	16,902	7 (6) 7,916 (7)	629 (3)	24,196
Housekeeping	62,352	36,571 (7)	897 (6)	98,026
Maintenance	32,076	142 (2) 18,778 (7)	221 (6)	50,775
Administration & Medical Records	289,045	9,432 (2) 645 (2) 40,795 (7) 2,226 (7)	2,891 (6) 275 (6)	338,977
Utilities	29,914	143 (2) 17,513 (7)	-	47,570
Special Services	26,324	22 (6) 2,396 (9) 10,369 (10)	-	39,111

BROOKVIEW HEALTHCARE CENTER
Summary of Costs and Total Patient Days
For the Cost Report Period Ended March 31, 1997
For the Contract Period July 17, 1998 Through September 30, 1998
AC# 3-BKV-C7

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Medical Supplies & Oxygen	110,929	8,974 (9)	49,995 (3) 4,939 (5)	64,969
Taxes & Insurance	17,933	12,200 (4) 8,973 (7)	-	39,106
Legal Fees	-	-	-	-
Cost of Capital	112,235	10,218 (1) 2,738 (7) <u>51,434 (15)</u>	-	176,625
Subtotal	1,580,333	317,562	82,557	1,815,338
Ancillary	28,538	-	-	28,538
Non-Allowable	384,082	52,328 (3) 6,240 (5) 12,998 (6) <u>51,434 (15)</u>	10,218 (1) 211,180 (7) 11,170 (9) 10,369 (10)	161,277
Total Operating Expenses	<u>\$1,992,953</u>	<u>\$389,128</u>	<u>\$376,928</u>	<u>\$2,005,153</u>
Total Patient Days	<u>16,122</u>	<u>7,821 (16)</u>	<u>-</u>	<u>*23,943</u>

*Adjusted to 97% occupancy
TOTAL BEDS 132 COST OF CAPITAL PATIENT DAYS 24,103

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1997
AC# 3-BKV-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 10,522	
	Other Equity	169,494	
	Cost of Capital	10,218	
	Fixed Assets		\$ 180,016
	Nonallowable		10,218
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Restorative	400	
	Maintenance	142	
	Administration	9,432	
	Medical Records	645	
	Utilities	143	
	Nursing		10,762
	To reclassify expenses to the proper cost centers DH&HS Expense Crosswalk State Plan, Attachment 4.19D		
3	Nonallowable	52,328	
	Dietary		1,704
	Laundry		629
	Medical Supplies		49,995
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		
4	Taxes and Insurance	12,200	
	Retained Earnings		47
	Accrued Property Taxes		12,153
	To adjust property tax expense and related accrual to allowable HIM-15-1, Sections 2302.1 and 2304		
5	Nonallowable	6,240	
	Nursing		1,301
	Medical Supplies		4,939
	To disallow expense due to lack of documentation HIM-15-1, Section 2304		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1997
AC# 3-BKV-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Laundry	7	
	Special Services	22	
	Nonallowable	12,998	
	Nursing		7,386
	Restorative		338
	Dietary		1,019
	Housekeeping		897
	Maintenance		221
	Administration		2,891
	Medical Records		275
	To adjust fringe benefits and related allocation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
7	Restorative	9,023	
	Dietary	66,647	
	Laundry	7,916	
	Housekeeping	36,571	
	Maintenance	18,778	
	Administration	40,795	
	Medical Records	2,226	
	Utilities	17,513	
	Taxes and Insurance	8,973	
	Cost of Capital	2,738	
	Nonallowable		211,180
	To reverse DH&HS adjustment to remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D		
8	Medical Supplies	6,834	
	Restorative		200
	Special Services		6
	Nonallowable		6,628
	To adjust special (ancillary) services reimbursed by Medicare to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 4/1/97 - 7/16/98)		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1997
AC# 3-BKV-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Medical Supplies	8,974	
	Special Services	2,396	
	Restorative		200
	Nonallowable		11,170
	To adjust special (ancillary) services reimbursed by Medicare to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 7/17/98 - 9/30/98)		
10	Special Services	10,369	
	Nonallowable		10,369
	To adjust co-insurance for Medicare Part B services to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 7/17/98 - 9/30/98)		
11	Accumulated Depreciation	324,815	
	Other Equity	744,055	
	Nonallowable	18,566	
	Fixed Assets		1,068,870
	Cost of Capital		18,566
	To remove fixed assets and related depreciation applicable to non-reimbursable cost centers HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 4/1/97 - 7/16/98)		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1997
AC# 3-BKV-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
12	Nonallowable	521,185	
	Nursing		223,822
	Restorative		8,978
	Dietary		65,777
	Laundry		7,720
	Housekeeping		36,089
	Maintenance		18,674
	Administration		106,457
	Medical Records		2,344
	Utilities		17,495
	Taxes and Insurance		12,991
	Medical Supplies		18,635
	Cost of Capital		2,203
	To remove indirect costs applicable to non-reimbursable cost centers HIM-15-1, Section 2102.3 State Plan, Attachment 4.19D (This adjustment applies only to the rate periods 4/1/97 - 7/16/98)		
13	Cost of Capital	6,210	
	Nonallowable		6,210
	To adjust capital return to allowable State Plan, Attachment 4.19D (This adjustment applies only to the rate period 4/1/97 - 9/30/97)		
14	Cost of Capital	5,995	
	Nonallowable		5,995
	To adjust capital return to allowable State Plan, Attachment 4.19D (This adjustment applies only to the rate periods 10/1/97 - 7/16/98)		
15	Cost of Capital	51,434	
	Nonallowable		51,434
	To adjust capital return to allowable State Plan, Attachment 4.19D (This adjustment applies only to the rate period 7/17/98 - 9/30/98)		

BROOKVIEW HEALTHCARE CENTER
Adjustment Report
Cost Report Period Ended March 31, 1997
AC# 3-BKV-C7

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
16	Memo Adjustment: To increase total patient days by 7,821 to 23,943 State Plan, Attachment 4.19D (This adjustment applies only to the rate period 7/17/98 - 9/30/98)		
	TOTAL ADJUSTMENTS	<u>\$2,196,804</u>	<u>\$2,196,804</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

BROOKVIEW HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 1997
 For the Contract Period April 1, 1997 Through September 30, 1997
 AC# 3-BKV-C7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>88</u>
Deemed Asset Value	2,813,624
Improvements Since 1981	396,430
Accumulated Depreciation at 3/31/97	<u>(980,519)</u>
Deemed Depreciated Value	2,229,535
Market Rate of Return	<u>0.070</u>
Total Annual Return	156,067
Number of Days in Period	<u>187/365</u>
Adjusted Annual Return	79,958
Return Applicable to Non-Reimbursable Cost Centers	(4,954)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>55</u>
Allowable Annual Return	75,059
Depreciation Expense	34,852
Amortization Expense	-
Capital Related Income Offsets	(183)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,203)</u>
Allowable Cost of Capital Expense	107,525
Total Patient Days (Actual)	<u>16,122</u>
Cost of Capital Per Diem	\$ <u>6.67</u>

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 1997
For the Contract Period April 1, 1997 Through September 30, 1997
AC# 3-BKV-C7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.54
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>
Reimbursable Cost of Capital Per Diem	\$6.67
Cost of Capital Per Diem	<u>6.67</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 1997
For the Contract Periods October 1, 1997 Through July 16, 1998
AC# 3-BKV-C7

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.1144</u>
Deemed Asset Value (Per Bed)	33,022
Number of Beds	<u>88</u>
Deemed Asset Value	2,905,936
Improvements Since 1981	396,430
Accumulated Depreciation at 3/31/97	<u>(980,519)</u>
Deemed Depreciated Value	2,321,847
Market Rate of Return	<u>0.070</u>
Total Annual Return	162,529
Number of Days in Period	<u>187/366</u>
Adjusted Annual Return	83,041
Return Applicable to Non-Reimbursable Cost Centers	(5,145)
Allocation of Interest to Non-Reimbursable Cost Centers	<u>55</u>
Allowable Annual Return	77,951
Depreciation Expense	34,852
Amortization Expense	-
Capital Related Income Offsets	(183)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>(2,203)</u>
Allowable Cost of Capital Expense	110,417
Total Patient Days (Actual)	<u>16,122</u>
Cost of Capital Per Diem	\$ <u>6.85</u>

BROOKVIEW HEALTHCARE CENTER
Cost of Capital Reimbursement Analysis
For the Cost Report Period Ended March 31, 1997
For the Contract Periods October 1, 1997 Through July 16, 1998
AC# 3-BKV-C7

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$3.54
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>
Reimbursable Cost of Capital Per Diem	\$6.85
Cost of Capital Per Diem	<u>6.85</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

BROOKVIEW HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 1997
 For the Contract Period July 17, 1998 Through September 30, 1998
 AC# 3-BKV-C7

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1144</u>	<u>2.1144</u>	
Deemed Asset Value (Per Bed)	33,022	33,022	
Number of Beds	<u>88</u>	<u>44</u>	
Deemed Asset Value	2,905,936	1,452,968	
Improvements Since 1981	396,430	-	
Accumulated Depreciation at 3/31/97	<u>(980,519)</u>	<u>(324,815)</u>	
Deemed Depreciated Value	2,321,847	1,128,153	
Market Rate of Return	<u>0.070</u>	<u>0.070</u>	
Total Annual Return	162,529	78,971	
Number of Days in Period	<u>187/366</u>	<u>187/366</u>	
Adjusted Annual Return	83,041	40,349	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	83,041	40,349	
Depreciation Expense	34,852	18,566	
Amortization Expense	-	-	
Capital Related Income Offsets	(183)	-	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	117,710	58,915	\$176,625
Total Patient Days	<u>16,122</u>	<u>7,981</u>	<u>24,103</u>
Cost of Capital Per Diem	\$ <u>7.30</u>	\$ <u>7.38</u>	\$ <u>7.33</u>

BROOKVIEW HEALTHCARE CENTER
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended March 31, 1997
 For the Contract Period July 17, 1998 Through September 30, 1998
 AC# 3-BKV-C7

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$3.54	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$7.53</u>	<u>\$7.38</u>
Reimbursable Cost of Capital Per Diem		\$7.33
Cost of Capital Per Diem		<u>7.33</u>
Cost of Capital Per Diem Limitation		\$ <u>-</u>